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EITC

Getting it Right



We've got a lot to cover...

- Due Diligence Requirements
- Eligibility Requirements
- Who is a Qualifying Child?
- Online Tools

Due diligence requirements

Checklist Completion



1

Credit Computation



2

Knowledge of Correct Taxpayer Information



3

Record Retention



4

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4



Addressing egregious preparers

- Year round visits with possible civil penalties
- Referrals to Criminal Investigation for criminal penalties

Not as easy as it looks

1 Must have earned income

2 Must have a valid Social Security number

3 1 Claiming a child who's not a qualifying child

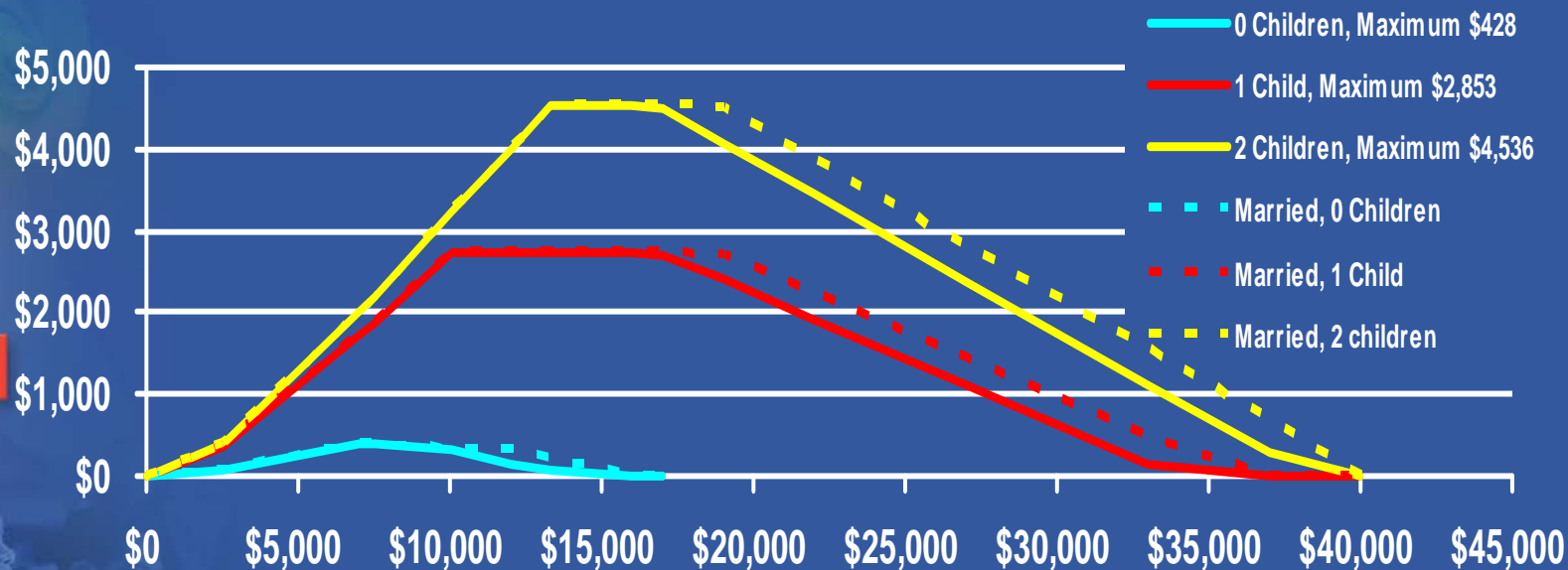
4 2 Married taxpayers who incorrectly file as single

5 or head of household

6 3 Misreporting Income

7 4 Incorrect Social Security Numbers

For 2007 the maximum EITC credit is \$4,716



- ✓ Credit phases out as income increases
- ✓ Claiming children raises the limit on income eligibility and increases the value of the credit
- ✓ If married, income eligibility increases up to \$2,000

Qualifying children

Relationship



Age



Residency



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Who Can Claim the EITC?



STEPFATHER

EARNED INC. - \$10,000

MOTHER

EARNED INC. - \$15,000



CHILD LIVED WITH
STEPFATHER 7 MONTHS
AND MOTHER 5 MONTHS

Who Can Claim the EITC?



**ANSWER: THE
STEPFATHER**

**THE MOTHER OF THE CHILD DOES NOT
MEET THE RESIDENCY TEST.**

**RULE: CHILD MUST HAVE LIVED WITH
THE CLAIMANT IN THE UNITED STATES
FOR MORE THAN HALF OF THE YEAR.**

Who Can Claim the EITC?



STEPFATHER
EARNED INC. - \$10,000



MOTHER
EARNED INC. - \$15,000



CHILD LIVED OVER HALF
THE YEAR WITH EACH

Who Can Claim the EITC?

**ANSWER:
EITHER ONE. THEY DECIDE.**



IF BOTH CLAIM THE BABY, THE TIE-BREAKER RULES WILL APPLY.

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Tie Breaker Rules

- **IF** only one of the persons is the child's parent
 - **THEN** only the parent can treat the child as a qualifying child.
- **IF** two of the persons are parents of the child, and they do not file a joint return together
 - **THEN** only the parent with whom the child lived the longest during the year can treat the child as a qualifying child.
- **IF** two of the persons are parents of the child, the child lived with each parent the same amount of time during the year, and the parents do not file a joint return together
 - **THEN** only the parent with the highest adjusted gross income (AGI) can treat the child as a qualifying child.
- **IF** none of the persons are the child's parent
 - **THEN** only the person with the highest AGI can treat the child as a qualifying child.



Who we're missing...

- Childless workers
- Rural taxpayers
- Non-traditional families
- New citizens with English as a second language



Online tools at IRS.gov

- Tax Practitioner Toolkit
(access directly at www.eitcfortaxpreparers.com)
- EITC Assistant
- Publications and worksheets
- Special rules



In a nutshell

- Know the law
- Ask if in doubt
- Maximize the tools
- Reach out to qualifying taxpayers